

Memorandum



CITY OF DALLAS

DATE September 12, 2014

TO The Honorable Mayor and Members of the City Council

SUBJECT Quarterly Investment Report as of June 30, 2014

The City of Dallas Investment Policy, in accordance with the Texas Public Funds Investment Act, requires that the City Council and City Manager receive quarterly investment reports. The purpose of this report is to provide a means for Council members, Council committee members and staff to regularly review and monitor the City's investment position and to demonstrate compliance with the City's Investment Policy and the Public Funds Investment Act. Summary reports on each of the City's portfolios are included as well as summary information on the portfolio as a whole.

For the quarter ended June 30, 2014 the City's individual portfolios and the combined portfolio are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

In addition, the City recently received a Certification of Investment Policy for developing an investment policy that meets the requirements of the Public Fund Investment Act and standards for prudent public investing established by the Government Treasurers' Organization of Texas.

The executed June 30, 2014 quarterly investment report and the Certification of Investment Policy are attached.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachments

c:	A.C. Gonzalez, City Manager	Forest E. Turner, Assistant City Manager
	Warren M.S. Ernst, City Attorney	Joey Zapata, Assistant City Manager
	Craig D. Kinton, City Auditor	Mark McDaniel, Assistant City Manager
	Rosa A. Rios, City Secretary	Charles M. Cato, Interim Assistant City Manager
	Daniel F. Solis, Administrative Judge	Theresa O'Donnell, Interim Assistant City Manager
	Ryan S. Evans, First Assistant City Manager	Sana Syed, Public Information Officer
	Jill A. Jordan, P.E., Assistant City Manager	Elsa Cantu, Assistant to the City Manager



CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

June 30, 2014

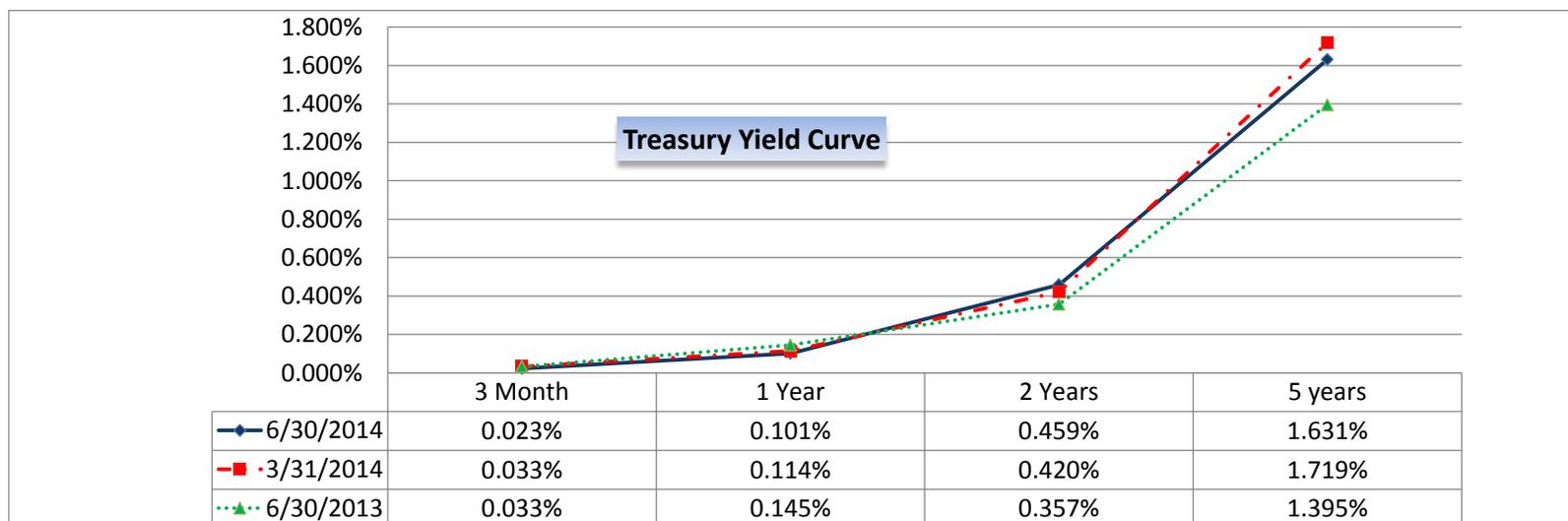
Quarterly National Economic and Market Update
Quarter Ended June 30, 2014

- Growth in economic activity has rebounded in recent months. Labor market generally improved accompanied by a modest wage rise.
- Household spending appears to be rising moderately and business fixed investment resumed its advance.
- The Federal Open Market Committee (FOMC) Sees Quantitative Easing (QE) ending with \$15 billion cut in October 2014, if outlook holds.
- There was no evidence that the FOMC is inclined to raise rates any time soon or alter forward guidance in an effort to alter current market expectations.

Source: FOMC June 18, 2014 Meeting Statement and Minutes

National Economic Data	6/30/2013	6/30/2014
Fed Funds Rate	0.00% -0.25%	0.00% -0.25%
2 Years Treasury Note	0.357%	0.459%
10 Years Treasury Note	2.487%	2.531%
Monthly Unemployment Rate	7.50%	6.10%
Weekly Initial Jobless Claims	344,000	316,000
Monthly Change in Nonfarm Payrolls	201,000	288,000
Monthly New Housing Starts	831,000	893,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 06/30/2014

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Yield To Maturity
01 The City's Investment Pool	1,194,831,604	1,197,021,120	1,198,087,480	3,046,875	1,201,134,355	1,066,359	0.51%
02 Convention Center Reserve	18,900,000	18,901,167	18,936,391	18,038	18,954,429	35,224	0.39%
03 Water Reserve	89,975,000	89,883,853	90,028,955	102,925	90,131,880	145,103	0.73%
04 Art Endowment	2,235,000	2,235,000	2,238,496	3,259	2,241,755	3,496	0.35%
05 Ida Green Library Fund	1,000,000	999,360	999,762	0	999,762	402	0.16%
10 DWU Commercial Paper Program	116,523	116,523	116,523	0	116,523	-	0.02%
14 Trinity Parkway Escrow	546,386	546,386	546,386	0	546,386	-	0.01%
16 Oncor Electric Escrow	54,596	54,596	54,596	0	54,596	-	0.01%
17 GO Commercial Paper Program	98,588	98,588	98,588	0	98,588	-	0.02%

*Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's practice to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

City of Dallas
Trade Activity by Portfolio
As of: 03/31/14 - 06/30/14

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Yield To Maturity
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	82,000,000	0.60%	-	-	82,000,000	0.60%
Federal Farm Credit Bank	227,768,000	0.39%	20,000,000	15,000,000	232,768,000	0.38%
Federal Home Loan Bank	245,000,000	0.38%	70,000,000	-	315,000,000	0.55%
Federal Home Loan Mortgage Corp.	323,853,000	0.57%	-	20,000,000	303,853,000	0.60%
Federal National Mortgage Assoc.	224,340,000	0.45%	25,000,000	29,240,000	220,100,000	0.51%
Total	1,102,961,000	0.47%	115,000,000	64,240,000	1,153,721,000	0.52%
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal National Mortgage Assoc.	18,900,000	0.39%	-	-	18,900,000	0.39%
Total	18,900,000	0.39%	-	-	18,900,000	0.39%
Water Reserve						
Federal Farm Credit Bank	5,000,000	0.30%	-	-	5,000,000	0.30%
Federal Home Loan Bank	20,000,000	0.37%	10,000,000	-	30,000,000	0.68%
Federal Home Loan Mortgage Corp.	65,000,000	0.67%	4,975,000	15,000,000	54,975,000	0.79%
Total	90,000,000	0.58%	14,975,000	15,000,000	89,975,000	0.73%
Art Endowment						
Federal Farm Credit Bank	2,235,000	0.35%	-	-	2,235,000	0.35%
Total	2,235,000	0.35%	-	-	2,235,000	0.35%
Ida Green Library Endowment						
Federal National Mortgage Assoc.	1,000,000	0.16%	-	-	1,000,000	0.16%
Total	1,000,000	0.16%	-	-	1,000,000	0.16%
DWU Commercial Paper						
Money Market - Tax Exempt	1,240,196	0.02%	9,142	1,132,816	116,523	0.02%
Total	1,240,196	0.02%	9,142	1,132,816	116,523	0.02%
GO Commercial Paper						
Money Market - Tax Exempt	853,347	0.02%	4,206	758,965	98,588	0.02%
Total	853,347	0.02%	4,206	758,965	98,588	0.02%
Trinity Parkway Escrow						
Money Market	546,373	0.01%	14	-	546,386	0.01%
Total	546,373	0.01%	14	-	546,386	0.01%
Oncor Electric Escrow						
Money Market	54,595	0.01%	1	-	54,596	0.01%
Total	54,595	0.01%	1	-	54,596	0.01%

City of Dallas
Summary Statement by Portfolio
As of: 03/31/14 - 06/30/14

Portfolio Description	Beginning Face Amount	Ending Face Amount	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Deposits/ (Redemptions)	Change in Market Value	Accrued Interest	Ending Yield To Maturity
City's Investment Pool¹										
Local Govt. Investment Pool	184,106,533	27,106,533	184,106,533	27,106,533	184,106,533	27,106,533	(157,000,000)	-	-	0.09%
Money Market	51,004,071	14,004,071	51,004,071	14,004,071	51,004,071	14,004,071	(37,000,000)	-	-	0.05%
US Agency	1,102,961,000	1,153,721,000	1,106,397,312	1,155,910,516	1,106,548,313	1,156,976,876	50,760,000	(200,477)	3,046,875	0.52%
*Total	1,338,071,604	1,194,831,604	1,341,507,916	1,197,021,120	1,341,658,917	1,198,087,480	(143,240,000)	(200,477)	3,046,875	0.51%
Convention Center Reserve²										
US Agency	18,900,000	18,900,000	18,901,577	18,901,167	18,943,788	18,936,391	-	(7,397)	18,038	0.39%
Total	18,900,000	18,900,000	18,901,577	18,901,167	18,943,788	18,936,391	-	(7,397)	18,038	0.39%
Water Reserve²										
US Agency	90,000,000	89,975,000	89,900,265	89,883,853	89,910,680	90,028,955	(25,000)	133,170	102,925	0.73%
Total	90,000,000	89,975,000	89,900,265	89,883,853	89,910,680	90,028,955	(25,000)	133,170	102,925	0.73%
Art Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,237,470	2,238,496	-	1,026	3,259	0.35%
Total	2,235,000	2,235,000	2,235,000	2,235,000	2,237,470	2,238,496	-	1,026	3,259	0.35%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	998,956	999,360	999,545	999,762	-	217	-	0.16%
Total	1,000,000	1,000,000	998,956	999,360	999,545	999,762	-	217	-	0.16%
DWU Commercial Paper⁵										
Money Market - Tax Exempt	1,240,196	116,523	1,240,196	116,523	1,240,196	116,523	(1,123,674)	-	-	0.02%
Total	1,240,196	116,523	1,240,196	116,523	1,240,196	116,523	(1,123,674)	-	-	0.02%
GO Commercial Paper⁵										
Money Market - Tax Exempt	853,347	98,588	853,347	98,588	853,347	98,588	(754,759)	-	-	0.02%
Total	853,347	98,588	853,347	98,588	853,347	98,588	(754,759)	-	-	0.02%
Trinity Parkway Escrow⁶										
Money Market	546,373	546,386	546,373	546,386	546,373	546,386	14	-	-	0.01%
Total	546,373	546,386	546,373	546,386	546,373	546,386	14	-	-	0.01%
Oncor Electric Escrow⁷										
Money Market	54,595	54,596	54,595	54,596	54,595	54,596	1	-	-	0.01%
Total	54,595	54,596	54,595	54,596	54,595	54,596	1	-	-	0.01%

Notes 1-7: See Page 6 for Strategy Statement by Portfolio.

*Numbers may not sum due to rounding

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 03/31/14 - 06/30/14

STRATEGY COMPLIANCE STATEMENT

For the quarter ended June 30, 2014 the portfolios are in compliance with the relevant provisions of the Public Fund Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

STRATEGY STATEMENT BY PORTFOLIO

1) City's Investment Pool

The City's Investment Pool is an aggregation of the majority of City funds that includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

2) Convention Center Bond Reserve and Water Bond Reserve

Non-pooled reserve funds for outstanding revenue bonds (Convention Center and Water) are set at levels required by their respective bond ordinances. These funds will be used to pay principal and/or interest at final maturity or if called prior to final maturity.

3) Art Endowment

The Art Endowment Fund was created by the City from a \$1,285,026 repayment to the General Fund from the Convention Center. Pursuant to Resolution No. 84-311 dated September 26, 1984, this endowment fund was created to provide additional monies for the arts, not to replace the current level of support. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

4) Ida Green Library Endowment

The Ida M. Green Endowment Fund was created with the proceeds from the sale of stock from the estate of Ms. Green pursuant to Resolution No. 87-0836. Its purpose is to provide funds for the operating and capital expenses of the library's Texas Center for the Book and Children's Center. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

5) DWU Commercial Paper Program and GO Commercial Paper Program

The City issues tax-exempt commercial paper notes as an interim financing tool for construction and capital projects. Proceeds from the issuance of commercial paper debt must be liquid in order to fund periodic payments to contractors and must be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these requirements, commercial paper proceeds will be invested in tax-exempt money market mutual funds.

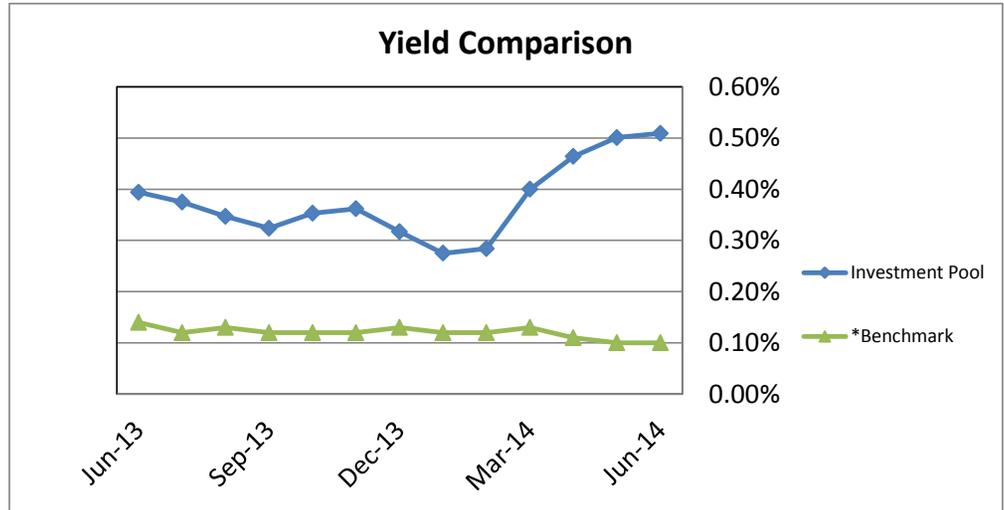
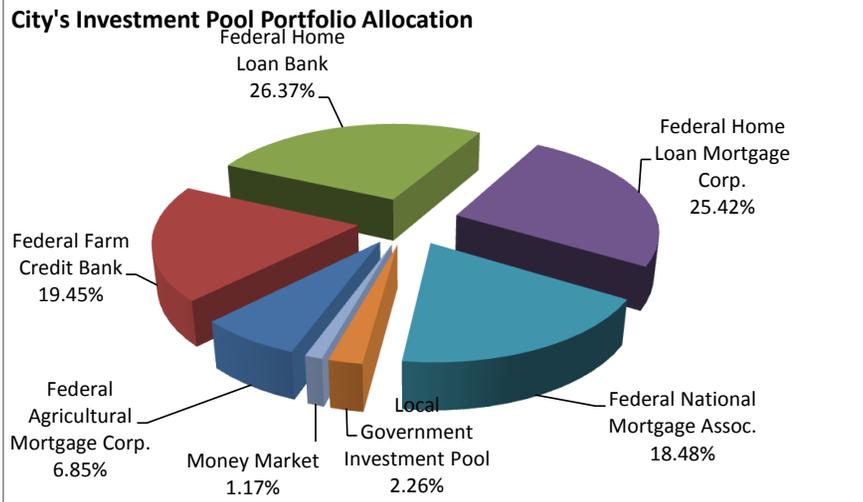
6) Trinity Parkway Escrow

The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent deposit of \$4,500,000 was made in June 2009. These funds will be used to reimburse NTTA for specified payment related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

7) Oncor Electric Escrow

The Oncor Electric Escrow portfolio was created with the deposit of \$4,500,000 in December 2007 in an escrow account in accordance with an agreement dated as of July 13, 2007 between the City and the Oncor Electric Delivery Company LLC pertaining to the development of the West Levee to Norwood Transmission Line. These funds will be used to reimburse Oncor for specified payments related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 06/30/2014



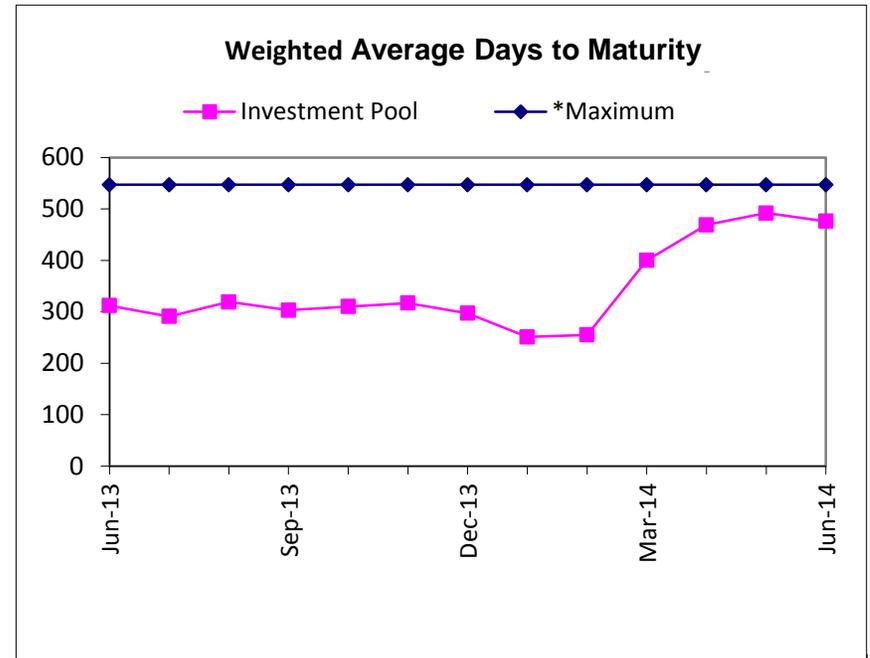
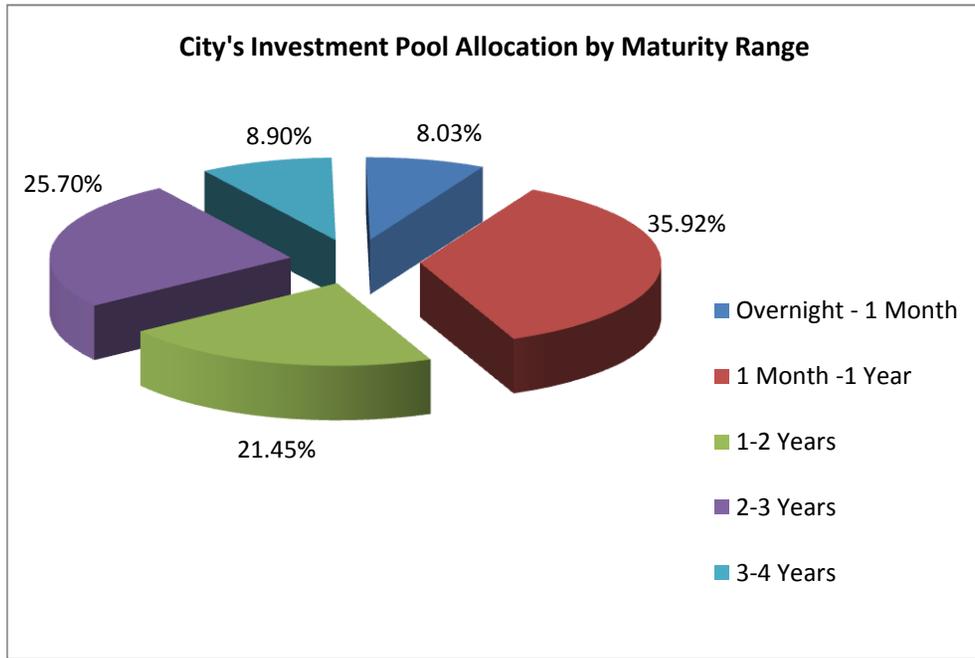
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	82,000,000	81,981,130	82,184,594	203,464	429	0.60%	6.85%
Federal Farm Credit Bank	232,768,000	232,822,875	233,063,870	240,995	300	0.38%	19.45%
Federal Home Loan Bank	315,000,000	315,655,235	315,979,445	324,210	515	0.55%	26.37%
Federal Home Loan Mortgage Corp.	303,853,000	304,253,564	304,556,284	302,720	550	0.60%	25.42%
Federal National Mortgage Assoc.	220,100,000	221,197,713	221,192,683	(5,030)	609	0.51%	18.48%
Local Government Investment Pool	27,106,533	27,106,533	27,106,533	-	1	0.09%	2.26%
Money Market	14,004,071	14,004,071	14,004,071	-	1	0.05%	1.17%
***Total	1,194,831,604	1,197,021,120	1,198,087,480	1,066,359	476	0.51%	100.00%

*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

** Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

*** Numbers may not sum due to rounding

City of Dallas
City's Investment Pool Allocation by Maturity Range
As of 06/30/2014



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	96,110,604	96,157,923	96,161,784	0.21%	13	8.03%
1 Month - 1 Year	429,621,000	429,920,853	430,227,423	0.30%	126	35.92%
1-2 Years	255,100,000	256,708,772	257,130,778	0.39%	435	21.45%
2-3 Years	307,000,000	307,681,282	307,704,669	0.73%	893	25.70%
3-4 Years	107,000,000	106,552,289	106,862,826	1.26%	1,198	8.90%
**Total	1,194,831,604	1,197,021,120	1,198,087,480	0.51%	476	100%

*As per Section 17.1 of the City's Investment Policy, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

** Numbers may not sum due to rounding

City of Dallas
Date To Date
Broker/Dealer Activity
As of: FY 13-14 to Date

FY 13-14 to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$20,000,000	3.16%
Cantor Fitzgerald	\$15,000,000	2.37%
Jefferies & Co.	\$20,000,000	3.16%
JPMorgan*	\$81,000,000	12.79%
Secondary Dealers		
Coastal Securities	35,000,000	5.53%
First Southwest	105,100,000	16.60%
Mutual Securities	10,000,000	1.58%
Raymond James and Associates	27,000,000	4.26%
Samco Capital Market	35,000,000	5.53%
Vining Sparks	10,000,000	1.58%
Wells Fargo	40,000,000	6.32%
Secondary Dealers - M/WBE		
Duncan Williams - M/WBE	15,000,000	2.37%
Loop Capital - M/WBE	35,000,000	5.53%
Ramirez & Co. - M/WBE	70,000,000	11.06%
Rice Financial - M/WBE	109,975,000	17.37%
Williams Capital - M/WBE	5,000,000	0.79%
Total	\$633,075,000	100.00%

Notes:

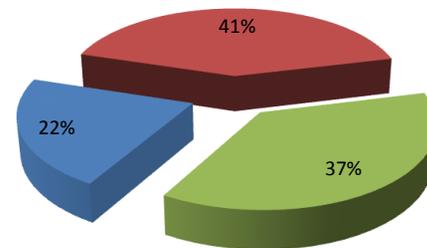
Section 9 of the City's investment Policy requires the investment committee to annually review and adopt a list of qualified broker/dealers. These firms represent the broker dealer firms that are currently approved by the Investment Committee as of February 2014.

It is the City's Practice to solicit three or more competitive bids/offers each trade except for agency securities purchased at issue.

* JPMorgan was removed, at their request, from the City's approved broker-dealer list in February 2014.

Q3 FY 13-14		
Description	Awarded	%
Coastal Securities	5,000,000	3.85%
First Southwest	30,000,000	23.08%
Loop Capital - M/WBE	5,000,000	3.85%
Mutual Securities	10,000,000	7.69%
Ramirez & Co. - M/WBE	50,000,000	38.47%
Raymond James and Associates	5,000,000	3.85%
Rice Financial - M/WBE	9,975,000	7.67%
Samco Capital Market	10,000,000	7.69%
Vining Sparks	5,000,000	3.85%
Total	\$129,975,000	100.00%

Broker/Dealer Activity FY13-14 to Date



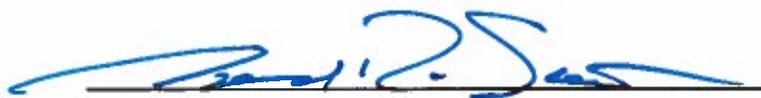
- Primary Dealers \$136,000,000
- Secondary Dealers \$262,100,000
- Secondary Dealers (M/WBE) \$234,975,000

CITY OF DALLAS
QUARTERLY INVESTMENT REPORT

June 30, 2014

For the quarter ended June 30, 2014 the portfolios are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Chief Financial Officer: 

City Controller: 

Treasury Manager: 



Government Treasurers' Organization of Texas

Certification of Investment Policy

Presented to

City of Dallas

for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas.



Government Treasurers' Organization of Texas
President



Investment Policy Review Committee
Chairperson

For the two-year period ending July 31, 2016